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## **REGIONAL DECENTRALIZATION ENCOURAGES GOOD GOVERNANCE**

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### **Abstract**

The village has a strategic role in assisting local governments in the process of governance, including development. All that is done as a real action of the local government supporting the implementation of regional autonomy in its territory. Village funds allocation as per requirement is one form of decentralization to encourage good governance, for it closer the distance of the country to the community and also increase community participation, which finally encourages accountability, transparency and responsiveness of local governments. The results of this study found that good governance in Jungkat village, district of Mempawah was not optimal.

**Keywords:** good governance, village funds allocation, decentralization

### **Introduction**

Decentralization allows a fundamental change in the characteristics of the power relationship between local and central government, so that the local government is given the allowance to take political decisions with out intervention. Democracy at least transforms the relationship power among major political institutions in many levels. One form of character change of power relations reflected from the locus politic shift from government by bureaucracy to governance by the politycal party (politycal party government).

Meanwhile, Noordiawan (2007) states that decentralization, submission of governmental authority by central government to autonomous regions is to regulate and manage local affairs in the unitary State system of the Republic of Indonesia. In addition, Suparmoko (2002) stated that in the governance system needs to be understood the difference between decentralization and deconcentration. The implementation of regional autonomous policy, hopefully will have two benefits, namely: first, encourage participation to increase, initiative and creativity in development, and encourage equitable development (fairness) results throughout the region by utilizing the resources and potential available in local communities; Second: Improving the allocation of productive resources through the shift in the role of public decision making to the lowest level of government that has the most comprehensive information, yet the lowest level of government is the village. Therefore, village autonomy is a necessity to be realized for real.

The implementation of policy will give the strength to the village government to manage, organize and do their own bussiness, as well as the burden of responsibility and obligations of the village. Finally, the implementation of the policy must remain accountable in the management of village budgets. For the time being, the major problem of most villages is the defisit of the village finance. The village budget and expenditure (APBDes), often unbalance. This is due to the four main factors (Hudayana and FPPD, 2005). First: The village budget main income cominf from very small aid anyway. Second: The welfare of village communities are

very low. Third: The village has low operating funds to carry out services. Fourth: That many development programs for the village carried out by upper institution.

Village fund Management system managed by the village government including the mechanism of gathering and responsibility comply to Undang-undang No. 33 year 2004 on financial balance between the central and local governments. The regulation explained that the funding of development conducted by the local government including villages, subjected to the money follows function principle, which means that the funding follows the function of government responsibilities of each level of government. In this case, the transfer of funds becomes important to maintain/guarantee the achievement of the minimum public service standards (Simanjuntak, 2002). The consequence of such services is the decentralization of authority accompanied by fiscal decentralization. Realization of fiscal decentralization in the region resulted in financial balance fund between district and village which is better known as Village Funds Allocation.

The village has a strategic role in assisting local governments in the process of governance, including development programs. Those are real actions of local government supporting the implementation of regional autonomy in the territory. When the allocation with equitable and fair principle applied, then every village is able to implement development according to the plan set in village development consensus, expectedly. Next, subject to the regulation mention above, the village fund allocation is then hand over to each village. Village funds allocation as needed is one benefit of the regional decentralization to encourage good governance, because it brings for it closer the distance of the state to people and also increases community participation, and finally encourages accountability, transparency and responsiveness of local governments.

This research wants to describe the financial management of Village Fund allocation at Jungkat village of Mempawah district which will eventually show the decentralized area that can encourage good governance in Jungkat village of Mempawah District.

### **Review of the Library**

Mardiasmo (1999:18) said that good governance is an approach concept, yet oriented to public sector development by a good government. While to the World Bank, quoted by Wahab (2002:34), referred that good governance is a concept of solid developed responsible management, simultaneously with the efficient democracy and market, avoidance of miss allocation and rare investments and prevention of political and administratif corruption, discipline the budget and the creation of legal and political framework for the growth of entrepreneurship activities. In addition, other name of the word good governance according to world Bank, is a synergistic and constructive relationship among the state, private sector and community (Effendi,1996:47). As mentioned in PP No. 101 of the year 2000, good governance is a government that develops and establishes the principles of professionalism, accountability, transparency, excellent service, democracy, efficiency, effectiveness, supremacy of law and accepted along the community.

Refers to law of Undang-undang No. 32 of the year 2004, and then modified to Undang-undang no. 23 of the year 2014 about local government, define village, or other name of it, hereinafter called the village, is the unity of the legal community that has the boundaries of the territory authorized to govern and manage the interests of the local community, based on the origin and local customs that are recognized and respected in the government system of Indonesian

Republik unitary State (Constitution no.32 of the year 2004 about local Government article 1 paragraph 12). A village has the proper authority that mentioned in the government regulation No.72 years 2005 about the village, which are:

1. Conduct existing government affairs based on village original rights.
2. To conduct government authority of the district/city which is handed over to the village, namely government affairs that could directly improve public services.
3. Monitoring duties of the state, the provincial government, and the district/city government.
4. Other governmental affairs subjected to law and regulation.

The purpose of village founding is to improve the ability of local government effectively and efficiently in delivering service to the community in accordance with development level and progress. Should development push down to the lowest level, there would be several conditions must be fulfilled when the village established, which are: first, population, at least 2.500 people or 500 family, second, the distance to deliver services and community development is controllable, third, village should have a local communication net work, fourth, infra structure like transportation, production and market, village government tools, fifth, socio-cultural, the harmony of religious life and social life combined with local wisdoms, sixth, social livelihood, places for people to earn their living.

Village funds allocation is an integral part of the village financial management in the APBDes, therefore it should fulfill the principles of village fund allocation management as follows:

1. All activities funded by the village fund allocation (FVA) are planned, executed and evaluated transparently refers to the principles from, by and for the community.
2. All activities must be administrative, technical and legal accountable.
3. Village funds allocation implemented using the principle of frugal, fokus and restrained.
4. Activities funded by Village Fund Allocation are wide open, to enhance public service tools in the form of community basic needs fulfillment, consolidating village institution and other activities needed by community which generated from village consensus.
5. The allocation of village funds must be noticed in the village's income and expenditure budget (APBDes) and the funding process comply with the prevailing mechanisms.

The Village fund allocation management which is integrated in the APBDes implemented transparently and openly. Village government and the BPD (Village Consultation Board) have a big responsibility to make a clear village fund allocation.

Village fund allocation for the year 2018, regulated in Bupati Mempawah decision number 3 of the year 2018 about guidelines on fund allocation management of Mempawah District for the year of 2018. Stages for the allocation outline started from the planning, implementation and accountability.

### **Research Methods**

This research is descriptive and using secondary data. The data in this research was obtained from the Community Empowerment Board and Village Government in Mempawah District, Statistic Agency in Mempawah, and Camat Jungkat office of Mempawah District. The data used, are:

1. Village income and expenditure budget (APBDes)
2. Realization of village funds allocation (ADD) at Jungkat village in Mempawah district for the year of 2017-2018.
3. Degree of realization for village funds allocation (ADD) at Jungkat village in Mempawah district for the year of 2017-2018.

The data analysis methods used in this research are descriptive statistics and calculations of progress and contributions of ADD and then evaluated by describing the existing conditions that expressed from collected data. The development formula is explained below:

1. To calculate the progress of village Fund allocation (ADD) at Jungkat Village Government in Mempawah district by development formula, as follows (Supangat,2008):

$$P = \frac{ADD_t - ADD_{t-1}}{ADD_{t-1}} \times 100\%$$

Description:

P = Village Fund allocation progress (ADD)

ADD<sub>t</sub> = Village Funds Allocation (ADD) for the year

ADD<sub>t-1</sub> = Village Fund Allocation (ADD) in the previous year

2. To calculate the scale of village funds allocation (ADD) at Jungkat village in Mempawah district by contribution formula as follows (Supangat, 2008):

$$\text{Kontribusi} = \frac{ADD_t}{APBDes} \times 100\%$$

Description:

Contribution = ADD Scale

ADD<sub>t</sub> = ADD Year Realization

APBDes = Village Funds (DD) + Village Funds Allocation (ADD)

## Discussion

Village finances are every rights and obligations of the village government, measured in money including all forms of wealth relating to the rights and obligations of the village. Village Financial management is an entire activity, including planning, budgeting, administration, reporting, accountability and village financial supervision. Should the village finance management reflects the alignments more to the community needs and comply to the constitution, it must be managed transparently, accountable, open to partisipant, and applied orderly and obedient.

Should the village's financial management policy comply with the constitution, including regulation of the Ministry of Domestic Affair No. 113 of the year 2014 on village Financial

Management, and local regulation of Mempawah District Number 4 of the year 2009 about Village Financial Planning, as well as to reflect the alignments to community real needs, the village government with the village consultation board set a village regulation on the village budget and expenditure (APBDesa) every year. Open wide and transparent, the process started from village workshops, public hearing and finally the board have plenary meeting for its assignment. The APBDesa contains revenues, expenditure and financing from January, 1<sup>st</sup> to December, 31 of the year ended.

### **Village Revenue**

Village income are all receipts of money in village account that giving benefit to the village in 1 (one) budget year with out paying back obligation. The estimated revenue based on realization of the previous year's revenue plus increased forecasts based on potential of the village's original income, revenue share, balance fund, financial allowance of state, provincial, and district government, third party grants and donations. Village revenue for the year of 2018 is budgeted for Rp. 3.112.425.076,42 from:

a. Village's original income	Rp	1.039.726,42
b. Transfer Income	Rp	3.111.384.350,-
1) Village Funds	Rp	1.264.969.000,-
2) Share Regional Income	Rp	140.690.350,-
3) Village Funds Allocation (ADD)	Rp	1.655.725.000,-
4) APBN	Rp	50.000.000,-
<b>Total Income</b>		<b>Rp 3.112.425.076,42</b>

### **Village Expenditures**

Village expenditures are all expenses taken from village accounts for 1 (one) budget year with no disbursement. Comply with Permendagri No. 113 year 2014 about the village's financial management, expenditure are employee expenses and aquisition of goods and services. The village expenditure for the year 2018, was budgeted below:

a. Village goverment expenses	Rp	606.100.000,-
b. Expenditures for Village development	Rp	1.468.212.000,-
c. Community coaching expense	Rp	230.172.059,04
d. Community empowerment expense	Rp	179.000.000,-
<b>Total Expenditure</b>		<b>Rp 3.073.858.059,04</b>

### **Financing**

a. Financing income		
1) Silpa (last year budget surplus)	Rp	10.973.709,04
b. Financing Expenditure		
1) Village Investment	Rp.	50.000.000,-

The village government's budget is one way to solve and provide solutions to the problems in the village by improving the quality of education, health, social and economic. The problems occurred in the village was not merely come from local, yet caused by macro problems from sub-district, district, provincial, or state. Should the origin and scale of significancy of the problem never

been identified well, it would grow bigger and bigger. The priorities of the village programs and activities in year 2018, are as follow:

1. Activities funded by village indicative.
  - a. Implementation of village Government
    - 1) Expenditure for sallaries and allowances.
    - 2) Operational activities of Village Office
    - 3) Operational activities of Village Consultation Board.
    - 4) Operational activities of RT/RW
    - 5) Village Profile recording activities.
    - 6) Administrative and financial activities.
    - 7) Preparing village budget activities.
    - 8) Other administrative activities.
  - b. Implementation of Village development
    - 1) Drainage Construction and Maintenance Activities
    - 2) Procurement, Construction and Maintenance Activities of Sport Building
    - 3) Road Construction Activities
    - 4) Bridge Construction Activities
    - 5) Village Land Procurement Activities
    - 6) Other Construction Activities, Development and Physical Maintenance
  - c. Community Development
    - 1) Coaching Activities for TP PKK
    - 2) Coaching Activities for Community Empowerment Institute
    - 3) Coaching Activities for Poskedes
    - 4) Coaching Activities for Religious Social Institutions
    - 5) Coaching Activities for Arts, Social and Culture Institutions
    - 6) Coaching Activities for Village Contest
    - 7) Coaching Activities for MTQ
    - 8) Coaching Activities for National Day Event
    - 9) Other Coaching Activities for Community
  - d. Community empowerment
    - 1) Headman and Staffs Training
    - 2) Village Consultative Board Training
    - 3) Incentives for Public Health Promoter
    - 4) Improving Nutrition Quality for Toddlers And Children
    - 5) Teachers Allowance for Religious Learning Garden
2. Activities Funded by Original Village Income  
Activities funded by original village income are for the allowances of cleaning sevice persons, religion and madrasah teachers as well as incentive for Headman and staffs to promote their welfare, for they might delivere excellent service.
3. Activities Funded by State (APBN)  
Programs and activities funded by state are for bridge construction activities to promote services to the community.

Village Consultative Board (BPD) is a consultative board that discuss and decide various policies in village government activities. Should the village to improve institutional performance, support togetherness, and increase community participation and empowerment, village government and/or Village Consultative Board facilitates public discussion.

Village discussion or called by another name is a discussion forum among the village's consultative board, village government, and elements of society organized by the village's consultative board to discuss and decide strategic policies implemented in village governance. The result of the village discussion is an agreement that put in to decision of discussion results as the basis for the village consultative board and the village government to established policies on village governance. The village's consultative board has some functions, eg:

1. Discuss and decide village regulation draft with the headman
2. Accommodating and channeling village community aspirations
3. Supervise the performance of headman

Members of the village consultative board are representatives of villagers based on territory, elected democratically every 6 (six) years officially. Members of village consultative board can be selected for 3 (three) times at most, consecutively or not.

Village Constitution rule village institution. Village Community Board (LKD), consist of neighbors (RT), community pillars (RW), Family Welfare Promotion (PKK), Youth Community, Integrated Service point (Posyandu), and Village Community Promotion Board (LPMD). Village Community board is a partner to empower village communities and serve as a media to accumulate participation and to creat access for the community to be more active in development activities established on the initiative of village and community governments. The establishment of LKD is regulated in village constitution, to:

1. Empowering village community
2. Participate in planning and implementing development
3. Improving Community Services.

While the functions of LKD are as follows:

1. Accommodating and channeling community aspirations
2. Instill and support sense of unity and community unity
3. Improving the quality and acceleration of service from village government to community
4. Planning, implementing, controlling, preserving, and developing yield development results together
5. Generating, developing, and initiatives driving, participating, self-reliance, and mutual community cooperation
6. Promoting Family Welfare
7. Improving human resource quality

The Village Fund Allocation (ADD) is a balancing fund received by the district/city within the district/city budget (APBD) deducted by Special Allocation Fund (DAK). ADD allocated at least 10% taken from balancing funds received by the District/city within the local budget deducted by special allocation fund. ADD management stages are planning, implementation, administration, reporting and responsibility.

All stages are carried out by village government accompanied by escort team from the sub district. The stages are subject to Permendagri No. 113 of the year 2014, on village financial management. The amount of ADD at Jungkat village in the year of 2018 budgeted for Rp. 1.655.725.000,-. Realization of the budget was Rp 1,633,458,750,-. ADD surplus in the year 2018 was Rp.22,266,250,-. The surplus came from several unpaid expenses like staff salaries, BPD allowances, and financial and office operational incentives. The surplus of the year 2018 was bigger than those of 2017, at the amount of Rp.23,898,148,-.

Village staffs are required to master the village's financial management. Therefore, the village Government conducts workshop about management of village government, especially related to finance. Since the village staffs have a good understanding to manage village financial, then APBDes estimated before might applied due to regulations. Considering the village's financial management is a high risk activity.

Planning is a process of determining something to be accomplished in the future and decide steps needed to achieve it. In village financial planning, some strategic stage plans are required. Village development planning is prepared by village community through village development planning consensus. By documents, the planning of village development are expressed in RPJMDesa, RKPDes and APBDesa.

At the planning stage of the ADD usage, beginning with the Village Development Planning Discussion (Musrenbangdes) attended by BPD, LPMD, and other community figures. The planning was carried out by capturing the hopes and needs of the community from village discussion. ADD are village incomes integrated with APBDes in usage. Therefore, the planning and implementing programs are organized by Musrenbangdes forum.

Musrenbangdes is a discussion forum evaluating the proposed planning for Village development that subject to principles of development planning of village community participation and government transparency as well. The purpose of the village fund allocation is to promote the village government in delivering services, constructing and empowering the community.

Timing for this activity begin early every new budget year or at the end of the fiscal year. When preparing the proposal, all the components in the village should get involved, where they submit the proposal of their interests and needs.

After Musrenbangdes was carried out then the headman set a team to prepare RKPDes. The team was appointed by headman. Soon after RKPDes was complete, the team submit the decision to the village government to be discussed in a Village Discussion (Musdes).

RKPDes is an important document of Village Development planning for a specific year and is used as references for the preparation of the village's Budget (APBDes). After the village government agreement to the RKPDes, the ADD team prepare the cost of the budget plan (RAB).

Based on Permendagri No. 113 of the year 2014, about village's financial management, APBDes for the coming year have to be ready before December of the current year. Yet, APBDes of Jungkat village was not in time, for the announcement of the Village Fund (DD) of the year 2018 was declared by the state on April in 2018. Since DD is one component along with ADD in APBDes, the APBDes establishment for the year far behind schedule.

Other condition that makes the establishment of APBDes too late was existing staff have no idea about the system, financial management for the year of 2018 already apply computerized system.



So, it take time for additional staff recruitment. Note to this condition, BPD and Village decide to establish the APBDes for the year of 2018 soon after new staff recruited.

Indicator used by researcher in analyzing ADD Jungkat for the year of 2018 – one stage in planning financial management - is Permendagri No. 113 of the year 2014, about village financial management. Within the implementation of the village's financial management, there are a number of common principles to be observed, in relation with receipt and expenditure. One of it insist that all of the receipts and expenditures are carried out by Village Cash account. The disbursement of funds from Village Cash account is cosigned by headman and treasurer. Mentioned in Permendagri No. 113 of the year 2014.

The contractor should submit fund request for related activity along with Expense Budget Plan (RAB) documents. Should the program took place, the contractor submit payment request (SPP) to the headman through the secretary. The SPP is supported by expenditure responsibility letter and bill of transactions. The expenditure responsibility letter filed as documents for payment. The SPP then verified by the secretary. Soon after all documents verified by the secretary and approved by the headman, the village treasurer made payment.

Down below is the growth of Village Fund Allocation (ADD) managed by Jungkat village, district of Mempawah for the year of 2018:

$$\begin{aligned} \text{ADD Growth 2018} &= \frac{(1.633.458,750 - 1.630.954.552)}{1.630.954.552} \times 100 \% \\ &= 0,154 \% \end{aligned}$$

The calculation above show that the growth of village funds allocation received by Jungkat village in 2018 increased only by 0.154% from previous year of 2017, it means that no increase happens in ADD funds received by the village government, almost. The amount of village funds allocation received by Jungkat village remain the same as the previous year could be due to the absence of addition of village funds allocation from the district government Mempawah.

Meanwhile, the contribution of allocation of village funds in Jungkat village, district of Mempawah for the year 2017 and 2018 is calculated below:

$$\begin{aligned} \text{Contributions 2017} &= \frac{1.630.954.552}{(1.031.043.000 + 1.630.954.552)} \times 100 \% \\ &= 61,268 \% \end{aligned}$$

The contribution of village funds allocation in 2017 in Jungkat village, district of Mempawah was 61.268%. That means, the funds received by the village is larger from allocation funds of district than from the state. The development of the village remains depend on the allocation of village funds budgeted from the local government. While the village funds gained from the state are lower than the village allocation funds of district.

$$\begin{aligned} \text{Contributions 2018} &= \frac{1.633.458.750}{(1.264.969.000 + 1.633.458.750)} \times 100 \% \\ &= 56,357 \% \end{aligned}$$

There is a change in the allocation of village funds contributed on the year of 2018, where village funds increased by Rp 233,926,000,- or 22.688% while allocation of village funds was increased only by 0.154%. Finally, the contribution of village funds allocation decline from those of 2017. This is happen because the state give more allocation for village funds. The state expect that the villages become more independent and able to develop and increase their own potential. By knowing and realizing the potential of their own, the village has the capacity to promote welfare of the village community better.

Hopefully, the village government can maximize the benefit of funds given them, accountable, sustainable and transparent. Those points are important parts in measuring performance of good governance in an institution. In this case, data shows that good governance in Jungkat village, district of Mempawah is not optimally applied. It obvious reflected from the small income of the village acquired, that indicates the village unsuccess exploring their potential, so it still depend on village funds and allocation of village funds. If the village can explore their own potential, it will certainly impact the welfare of the whole community in the village.

### **Conclusion**

The results of this study found that, firstly, the financial management of village funds allocation in Jungkat village, district of Mempawah was not fully comply with the regulations of financial management of village funds allocation. One of the constraints in this management is competency of human resource that doesn't have a good understanding in financial management. Secondly, the increase of village funds allocation in 2018 was only 0.154% thats not equivalent to the growth of village funds of the same year, at 22.688%. Contribution of village funds allocation at Jungkat village, district of Mempawah in 2018 decreased from previous year of 2017, which was 56.357% for the year of 2018 and 61.268% for the year of 2017. Third, good governance in Jungkat village, district of Mempawah can justified not optimal.

Advices taken from the results of this research are, firstly, the village government should improve the knowledge and competency of financial management staff, so that all staff have equal understanding. Hopefully, it can support Village fund allocation management in particular and the village finances in general. Secondly, the district government of Mempawah, especially Jungkat Village may increase the village's potential in order to promote the growth of village funds allocation (ADD) significantly. And third, hopefully the next research should expand more. Since this research is focused only to the village's financial staff, not to the coach and supervisor of the village's financial management.

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